

  
2058156 - R8 SDMSUnited States of America  
Environmental Protection Agency**A FAX FROM:**

TO:

LINDA JACOBSON  
8ENF-RC

FAX NO:

303-312-6191

6503

SUBJECT:

FROM:

DEBBIE CLEVINGER

PHONE NO:

406-457-5004

OFFICE:

MONTANA

FAX NO. FOR:

406-457-5055

COMMENTS:

DATE and TIME:

07/07/2005 02:18 PM

NO. OF PAGES

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L9-22

December 21, 2001

ENVIRONMENTAL  
PROTECTION AGENCY

DEC 31 2001

MONTANA OFFICE

Susan Zazzali  
RCRA Project Manager  
Montana Office  
U.S. EPA Region VIII  
301 South Park, Drawer 10096  
Helena, Montana 59626

Re: Financial Assurance for East Helena Consent Decree; U.S.  
District Court for the District of Montana, Civil Action No.  
CV-98-3-H-CCL

Dear Ms. Zazzali:

This letter is to convey the financial assurance required from Asarco Incorporated ("Asarco") pursuant to Section VII of the East Helena consent decree. Pursuant to Paragraph 95 of the decree, I hereby certify that Asarco satisfies the financial test contained in paragraph 98(f) of the decree, as indicated in Attachments A and B hereto.

Also enclosed is a copy of the company's financial statements for the quarter ended September 30, 2001, which will help document the attached numbers.

If you have any questions regarding this financial assurance, please call Scott Thomas of the Asarco Legal Department at (602) 977-6517.

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Sincerely,

A handwritten signature in cursive script that reads "Doug McAllister".

Doug McAllister

Vice President and General Counsel

Enclosures

**ATTACHMENT A**  
**FINANCIAL ASSURANCE TESTS**  
**(IN \$ THOUSANDS)**

¶ 98(f)(1) Assets located in the U.S. amounting to at least 90% of total assets OR 6 times all environmental liabilities for which assurance is given by a financial test

Total Assets in U.S.: \$1,169,311

6 Times all Financial Assurances: \$663,402

¶ 98(f)(2)(i) A ratio of current assets to current liabilities that equals 1.25 or greater

Current Assets: \$1,039,044

Current Liabilities: \$702,506

$\$1,039,044 \div \$702,506 = 1.4791$

¶ 98(f)(2)(ii) Tangible net worth (as defined in 40 C.F.R. § 264.141) greater than the sum of the cost of the estimate for work to be performed and any other environmental obligations and liabilities for which assurance is given using a financial test, plus \$10 million

Tangible Net Worth \$317,469

All Financial Assurances Plus \$10 million \$120,567

All information as of 9/30/01

**ATTACHMENT B****ENVIRONMENTAL LIABILITIES SECURED BY A FINANCIAL TEST**

Bunker Hill	\$21	million
Cherokee County	\$0.543	million
East Helena On-Site Remediation & Process Ponds	\$1.3	million
East Helena Soils	\$1.0	million
Company-wide RCRA liability (Encycle/Texas, Inc. and Federated Metals - Whiting)	\$8.0	million
Globe	\$11.9	million
Leadville	\$15.0	million
Tacoma (Ruston Study Area and Smelter)	\$50.824	million
Underground Storage Tanks (Company Wide)	<u>\$1.0</u>	<u>million</u>
Total	\$110.567	million

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SUSAN BOZZALI



**Financial Statements and  
Related Footnotes**

**For Quarter Ending  
9/30/01**

**Unaudited**

**ASARCO Incorporated  
and Subsidiaries  
CONSOLIDATED STATEMENT OF OPERATIONS  
UNAUDITED**

(Dollars in thousands)	3 Months Ended September 30,		9 Months Ended September 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Sales of products and services	\$ 337,533	\$ 466,364	\$ 1,165,152	\$ 1,300,058
Operating costs and expenses:				
Cost of products and services	295,368	373,582	1,032,482	1,064,839
Selling, administrative and other	13,512	13,434	43,771	50,718
Depreciation and depletion	24,244	29,102	84,111	87,070
Research and exploration	3,522	3,378	9,494	10,831
Environmental and other closed plant charges	6,090	3,573	(50,169)	9,870
Total operating costs and expenses	<u>342,736</u>	<u>423,069</u>	<u>1,119,689</u>	<u>1,223,328</u>
Operating income (loss)	(5,203)	43,295	45,463	76,730
Interest expense	(33,276)	(24,459)	(101,685)	(94,976)
Other income	<u>17,922</u>	<u>2,220</u>	<u>27,080</u>	<u>7,189</u>
Income (loss) before taxes on income and minority interests	(20,557)	21,056	(29,142)	(11,057)
Taxes on income	<u>4,096</u>	<u>34,715</u>	<u>16,657</u>	<u>31,697</u>
Income (loss) before minority interests	(24,653)	(13,659)	(45,799)	(42,754)
Minority interests in net earnings of consolidated subsidiaries	<u>(5,398)</u>	<u>(13,865)</u>	<u>(16,498)</u>	<u>(30,392)</u>
Net income (loss)	<u>\$ (30,051)</u>	<u>\$ (27,524)</u>	<u>\$ (62,297)</u>	<u>\$ (73,146)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ASARCO Incorporated  
And Subsidiaries  
CONSOLIDATED BALANCE SHEET  
UNAUDITED**

(Dollars in thousands)	September 30, 2001	December 31, 2000
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 494,939	\$ 165,183
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$5,002 and \$5,004	170,687	220,417
Other	42,894	94,366
Inventories	262,016	406,504
Deferred taxes	35,877	36,849
Other assets	32,631	32,112
Total current assets	<u>1,039,044</u>	<u>955,431</u>
Investments	10,892	78,286
Property, plant and equipment, net	2,019,693	1,949,739
Prepaid pension	87,307	84,082
Other assets	121,374	88,020
Total Assets	<u>\$ 3,278,310</u>	<u>\$ 3,155,558</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	\$ 231,520	\$ 149,554
Accounts payable:		
Trade	248,949	342,378
Other	24,675	34,432
Salaries and wages	18,201	18,833
Accrued Interest	20,429	18,916
Taxes on income	77,298	75,465
Reserve for closed plant and environmental matters	57,796	57,967
Other	23,638	28,003
Total current liabilities	<u>702,506</u>	<u>725,548</u>
Long-term debt	1,394,963	1,181,774
Deferred income taxes	58,197	51,870
Reserve for closed plant and environmental matters	58,170	73,727
Postretirement benefit obligation	105,604	107,454
Other liabilities and reserves	70,280	67,906
Total non-current liabilities	<u>1,687,214</u>	<u>1,482,731</u>
Commitments and Contingencies (Footnote 3)		
MINORITY INTERESTS	<u>571,121</u>	<u>568,573</u>
<b>COMMON SHAREHOLDER'S EQUITY</b>		
Authorized 1,000 common shares \$0.01 par value; Issued 1,000 shares		
Additional paid-in capital	538,324	538,324
Accumulated other comprehensive (loss) income, net of tax	(22,463)	(23,523)
Accumulated deficit – commencing November 18, 1999	(198,392)	(136,095)
	<u>317,469</u>	<u>378,706</u>
Total Liabilities, Minority Interests, and Common Shareholder's Equity	<u>\$ 3,278,310</u>	<u>\$ 3,155,558</u>

**ASARCO Incorporated  
and Subsidiaries  
CONSOLIDATED STATEMENT OF CASH FLOWS  
UNAUDITED**

(Dollars in thousands)	3 Months Ended September 30,		9 Months Ended September 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	\$ (30,051)	\$ (27,524)	\$ (62,297)	\$ (73,146)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:				
Depreciation and depletion	24,244	29,595	84,111	86,896
Provision for deferred income taxes	4,508	32,985	7,489	17,398
Undistributed equity earnings	(150)	(64)	515	(236)
Net (gain) loss on sale of property	(1,608)	75	(1,829)	1,798
(Gain) loss on sale of investments	(12,735)	4	(12,721)	(7,924)
Decrease in reserves for closed plant and environmental matters	(9,876)	(7,018)	(15,728)	(30,334)
Minority interests	5,402	13,866	16,506	30,391
Cash provided from/(used for) operating assets and liabilities:				
Accounts receivable	73,982	(65,005)	103,922	(15,129)
Inventories	55,516	(4,948)	144,487	34,330
Accounts payable and accrued liabilities	(76,595)	699	(94,478)	7,282
Other operating assets and liabilities	(10,667)	(5,171)	(21,740)	(54,242)
Foreign currency transaction (gains) losses	(1,655)	2,102	2,127	(3,239)
Net cash provided from/(used for) operating activities	<u>20,315</u>	<u>(30,404)</u>	<u>150,364</u>	<u>(6,155)</u>
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(53,278)	(52,563)	(153,142)	(138,546)
Proceeds from sale of discontinued operations	-	-	-	717,352
Proceeds from sale of property	1,819	61	2,881	2,225
Proceeds from sale of available-for-sale securities	78,851	-	78,851	110,601
Purchase of available-for-sale securities	-	-	-	(43,823)
Net cash provided from/(used for) investing activities	<u>27,392</u>	<u>(52,502)</u>	<u>(71,410)</u>	<u>647,809</u>
<b>FINANCING ACTIVITIES</b>				
Debt incurred	49,693	150,990	548,031	260,390
Debt repaid	(150,415)	(103,432)	(252,875)	(852,761)
Purchase of minority interests	(2,606)	(145)	(3,054)	(799)
Capital Contributions	-	30,000	-	30,000
Distributions to minority interests	(1,763)	(2,632)	(10,904)	(7,821)
Escrow deposits/(withdrawals) on long-term loans	2,996	(5,067)	(29,067)	(4,127)
Net cash provided from/(used for) financing activities	<u>(102,095)</u>	<u>69,714</u>	<u>252,131</u>	<u>(575,118)</u>
Effect of exchange rate changes on cash	<u>1,824</u>	<u>(1,799)</u>	<u>(1,329)</u>	<u>3,425</u>
Increase (decrease) in cash and cash equivalents	(52,564)	(14,991)	329,756	69,961
Cash and cash equivalents at beginning of period	547,503	105,597	165,183	20,645
Cash and cash equivalents at end of period	<u>\$ 494,939</u>	<u>\$ 90,606</u>	<u>\$ 494,939</u>	<u>\$ 90,606</u>



**ASARCO Incorporated  
and Subsidiaries  
CONSOLIDATED STATEMENT OF CHANGES IN  
COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)  
UNAUDITED**

(Dollars in thousands)	January 1 to September 30, 2001	January 1 to September 30, 2000
<b>COMMON SHARES</b>		
Balance at beginning and end of period 1,000 shares; \$0.01 par value	\$ -	\$ -
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of period	538,324	508,324
Capital contribution	-	30,000
Balance at end of period	<u>538,324</u>	<u>538,324</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Balance at beginning of period	(23,523)	551
Current period change	1,060	(13,625)
Balance at end of period	<u>(22,463)</u>	<u>(13,074)</u>
<b>ACCUMULATED DEFICIT</b>		
Balance at beginning of period	(136,095)	(27,568)
Net loss	(62,297)	(73,146)
Balance at end of period	<u>(198,392)</u>	<u>(100,714)</u>
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>\$ <u>317,468</u></b>	<b>\$ <u>424,536</u></b>
<hr/>		
<b>NET EARNINGS (LOSS)</b>	<b>\$ (62,297)</b>	<b>\$ (73,146)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>		
Net foreign currency translation adjustments	43	(213)
Net unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period	(750)	(7,266)
Reclassification of realized gains		(6,146)
Net cumulative effect of adoption-FAS 133	3,715	
Realized gains on closed cash flow hedges	(834)	-
Change in cash flow derivatives adjustment arising during period.	<u>(1,114)</u>	<u>-</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ <u>(61,237)</u></b>	<b>\$ <u>(86,771)</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**ASARCO Incorporated and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**(1) Quarterly Statements:**

In the opinion of ASARCO Incorporated ("Asarco" or "the Company"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's financial position as of September 30, 2001 and the results of operations and cash flows for the nine months ended September 30, 2001 and 2000. The results of operation for the nine month period are not necessarily indicative of the results to be expected for the full year. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's December 31, 2000 consolidated financial statements and notes thereto.

Certain prior year amounts have been reclassified to conform to the current year presentation.

**(2) Inventories:**

(in millions)	September 30, <u>2001</u>	December 31, <u>2000</u>
Provisional cost of metals received from suppliers for which prices have not yet been fixed	\$ 3.5	\$ 92.4
Domestic metal inventories at lower of FIFO cost or market	54.1	144.6
Foreign metal inventories at lower of average cost or market	50.6	47.9
Materials and supplies at lower of average cost or market	153.8	121.6
Total	<u>\$ 262.0</u>	<u>\$ 406.5</u>

**(3) Contingencies and Litigation:**

**Environmental Litigation and Related Matters:**

In connection with the matters referred to below, as well as the other closed plants and sites where the Company is working with federal and state agencies to resolve environmental issues, the Company accrues for losses when such losses are probable and reasonably estimable. Such accruals are adjusted as new information comes to our attention or circumstances change and the accruals are not discounted to present value. Recoveries of environmental remediation and related costs from insurance carriers and other parties are recorded as assets when the recoveries are deemed probable.

Reserves for closed plants and environmental matters, including mine reclamation costs for active and closed properties, totaled \$115.9 million at September 30, 2001. The Company anticipates that expenditures relating to these reserves will be made over the next several years. Net cash expenditures against these reserves for the nine months ended September 30, 2001 and September 30, 2000 were \$34.3 million and \$30.3 million, respectively, exclusive of recoveries of \$68.7 million in 2001.

The effect on pre-tax earnings of environmental and other closed plant charges was \$(50.2) million (\$18.5 million in charges offset by \$(68.7) million in recoveries as a result of an insurance settlement and a trust fund recovery) for the nine month period ended September 30, 2001 and \$9.9 million for the nine month period ended September 30, 2000.

**ASARCO Incorporated and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

In 1995, the Company completed and presented to the Washington Department of Ecology (Ecology) a Remedial Investigation and Feasibility Study (RI/FS) of the Company's former smelter site in Everett, Washington. In 1999, Ecology issued a costly remediation plan and stated its intention that Asarco carry out or pay for the plan. The Company refused. In July 1998, the Company filed suit in state court in Thurston County, Washington challenging on constitutional and other grounds the applicability of certain state environmental laws to alleged obligations of the Company to remediate or pay for the remediation plan. In December 1999, following trial, the court ruled that the Company is required to fund remediation on the former smelter site only, and that application of the state environmental laws to compel the Company to remediate surrounding properties is unconstitutional. That ruling was appealed to the Washington Supreme Court and a decision is expected at anytime.

In March 1996, the United States government filed an action in United States District Court in Boise, Idaho against the Company and three other mining companies (one of which has since filed for bankruptcy) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund) and the Federal Clean Water Act for alleged natural resource damage and related response costs to the Coeur d'Alene River Basin in Idaho. The government contends that the defendants are liable for damages to national resources in a 1,500 square mile area caused by mining and related activities that they and others undertook over the period between the mid 1800s and the mid 1960s. The action also seeks a declaration that defendants are liable for restoration of the area. In 1996, the case was consolidated with a prior, similar lawsuit filed by the Coeur d'Alene Tribe of Idaho. In 1998, the EPA commenced a RI/FS of the Coeur d'Alene River Basin. The EPA has recently published a draft RI/FS for the site, which if implemented as drafted could be very costly to the Company. A decision of the court is pending with regard to the first phase of the trial, which ended in August 2001. This phase will allocate liability as between the various defendants, including the U. S. Government as a consequence of a counterclaim brought by the Company.

In 1997, a putative class action was commenced against the Company in Omaha, Nebraska seeking compensatory and punitive damages for alleged contamination of properties by emissions from the Company's former Omaha plant. In 1999, the United States District Court for the District of Nebraska dismissed the action and that ruling was affirmed by the United States Court of Appeals. A similar action was filed by plaintiffs in Nebraska state court. In 2001 the state court ruled that it would not allow the action to proceed as a class action. The court also narrowed the scope of the plaintiff's complaint by dismissing many of the claims. That ruling has been appealed.

In August 1999, the Company received a "Unilateral Administrative Order for Removal and Response Activities" from the United States Environmental Protection Agency (EPA). The order applies to an area within a four mile radius of the Company's former Omaha plant and directs the Company to excavate soils surrounding certain residences and child care facilities where testing found elevated levels of lead. The Company has refused to undertake the remediation on the ground that the EPA has failed to establish that Asarco is responsible for the alleged contamination.

In April 2000, two putative class actions were filed against the Company in Seattle, Washington seeking compensatory and punitive damages as well as a medical monitoring fund as a result of alleged contamination of properties by emissions from the Company's former Tacoma plant. The plaintiffs purport to represent all persons who own property or resided for at least one year where levels of arsenic or lead in the soils are alleged to be elevated on Maury or Vashon Islands in Washington. The Company has also received notice that plaintiffs will amend their complaint to add claims for injunctive relief under the federal Resource Conservation and Recovery Act.

In November 2000, the Company received notice that it is potentially liable under CERCLA in connection with the Vazquez Boulevard/Interstate 70 Superfund site in Denver, Colorado. The Company's potential liability arises from the Grant Smelter that had been acquired by the Company in 1899 and operated until 1903. The property on which the smelter was located was sold to the Union Pacific Railroad and then the City of Denver and is within the boundaries of the Superfund site. The Company has reached agreement with EPA to conduct a feasibility study to determine what remedial action, if any, is required.

**ASARCO Incorporated and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

The Company and certain of its subsidiaries have received notices from the EPA and other federal and state agencies that they and in some cases numerous other parties are potentially responsible for damages and remediation occasioned by alleged hazardous substance releases at certain sites under CERCLA or similar state laws. In addition, the Company and certain of its subsidiaries are defendants in lawsuits brought under CERCLA or state laws that seek substantial damages and remediation. Remedial action is being undertaken by the Company at, and in some instances nearby, some of the sites.

**Product Litigation:**

The Company and two subsidiaries, as of September 30, 2001, that are defendants in approximately 5,518 lawsuits brought by approximately 13,594 primary and 3,042 secondary plaintiffs seeking substantial actual and punitive damages for personal injury or death allegedly caused by exposure to asbestos. Two of these lawsuits are purported class actions, with one of these actions being brought on behalf of a purported statewide class of persons who are not yet known to have asbestos-related injury and the other being purportedly brought on behalf of persons suing both tobacco-related and asbestos-related entities claiming damages for personal injury or death arising from exposure to asbestos and cigarette smoke. The Company accrues for its share of asbestos settlement costs when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Historically, the net impact of these costs has not been material to the financial statements due to insurance proceeds, which are recorded when received. The Company can make no assurances that historical trends will continue and therefore can make no assurances as to the materiality of the impact on future financial statements.

In September 1999, the Company was named along with 16 other defendants in six lawsuits filed in state court in Maryland. Five were filed on behalf of eight minors and other plaintiffs alleging personal injury due to exposure to lead in lead-based paint and to tetraethyl lead in gasoline. Plaintiffs seek compensatory and punitive damages. The other is a purported class action against the same defendants brought on behalf of owners and occupants of single-family houses in Maryland built before 1979. Plaintiffs seek to recover the cost of detecting, monitoring and, where necessary, removing residential lead-based paint, and compensatory and punitive damages.

**Other Litigation:**

The Company is a defendant in lawsuits in Arizona, the earliest of which commenced in 1975, involving the United States, Native Americans, and other Arizona water users contesting the right of the Company and numerous other individuals and entities to use water and, in some cases, seeking damages for water usage and alleged contamination of ground water. The lawsuits could affect the Company's use of water at its Ray Complex, Mission Complex, and other Arizona operations.

The Company and certain subsidiaries are defendants in lawsuits in Texas seeking substantial compensatory and punitive damages for personal injury, death and contamination of property allegedly caused by present and former operations in Texas and product sales of the Company and its subsidiaries. Some of the cases name additional corporations as defendants.

In November 1999, there was an action commenced against the Company in federal court in the Southern District of New York by Cyprus Amax, a subsidiary of Phelps Dodge Corporation. The action seeks damages of not less than \$90 million for the alleged breaches of a merger agreement between the Company and Cyprus. In April 2001, the Company filed a counterclaim against Cyprus Amax and Phelps Dodge Corporation seeking damages for fraudulent inducement and conspiracy to defraud when the Company entered into a merger agreement with Phelps Dodge.

In July 2001, fourteen plaintiffs filed suit against the Company and two other defendants seeking compensatory and punitive damages for alleged contamination of properties by emissions by the Company's El Paso plant. The complaint seeks damages for personal injury and property damage.

**ASARCO Incorporated and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Opinion of Management:**

Future environmental related expenditures cannot be reliably determined in many circumstances due to the early stages of investigation, the uncertainties relating to specific remediation methods and costs, the possible participation of other potentially responsible parties, and changing environmental laws and interpretations. Similarly, due to the uncertainty of the outcome of court proceedings, future expenditures related to litigation cannot be reliably determined.

The financial viability of other potentially responsible parties has been considered when relevant and no credit has been assumed for any potential insurance recovery when not deemed probable.

It is the opinion of management that the outcome of the legal proceedings, environmental contingencies and asbestos litigation mentioned, and other miscellaneous litigation and proceedings now pending, could be material to the financial position of the Company at September 30, 2001. The Company can make no assurances as to the materiality of the future financial statement impact. This opinion is based on considerations including experience related to previous court judgments and settlements and remediation costs and terms.

**(4) Debt and Available Credit Facilities:**

In the first quarter of 2001, Southern Peru Copper Corporation (SPCC) received a disbursement of \$400.0 million under a line of credit contracted with a group of international financial institutions. This line of credit will be used by SPCC to finance its expansion and modernization plan that includes, among others, the expansion of the Toquepala mine and concentrator, an additional leaching section at the Cuajone mine and the expansion and modernization of its smelter in Ilo.

As of September 30, 2001 Asarco is in default with two covenants of the Chase Manhattan Revolving Credit Agreement. Negotiations are presently under way with the lender seeking a permanent resolution to the defaults. Accordingly, debt remains classified as non-current.

**(5) Business Segments:**

The more significant data by business segment for the respective periods ending September 30, 2001 and September 30, 2000 are provided as follows:

(in thousands)	3 Months Ended September 30, 2001			3 Months Ended September 30, 2000		
	Asarco	SPCC	Total	Asarco	SPCC	Total
Sales of products and services	\$ 169,980	\$ 167,553	\$ 337,533	\$ 281,309	\$ 185,055	\$ 466,364
Operating income (loss)	\$ (27,494)	\$ 22,291	\$ (5,203)	\$ (1,734)	\$ 45,029	\$ 43,295
Net income (loss)	\$ (36,245)	\$ 6,194	\$ (30,051)	\$ (42,508)	\$ 14,984	\$ (27,524)
Total assets	\$ 1,180,876	\$ 2,097,434	\$ 3,278,310	\$ 1,282,619	\$ 1,669,439	\$ 2,952,058

(in thousands)	9 Months Ended September 30, 2001			9 Months Ended September 30, 2000		
	Asarco	SPCC	Total	Asarco	SPCC	Total
Sales of products and services	\$ 672,344	\$ 492,808	\$ 1,165,152	\$ 794,860	\$ 505,198	\$ 1,300,058
Operating income (loss)	\$ (23,960)	\$ 69,423	\$ 45,463	\$ (26,077)	\$ 102,807	\$ 76,730
Net income (loss)	\$ (80,806)	\$ 18,509	\$ (62,297)	\$ (106,671)	\$ 33,525	\$ (73,146)
Total assets	\$ 1,180,876	\$ 2,097,434	\$ 3,278,310	\$ 1,282,619	\$ 1,669,439	\$ 2,952,058

**ASARCO Incorporated and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**(6) Financial Instruments-Adoption of FASB 133:**

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. The Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in fair value of derivatives are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in value is immediately recognized in earnings. The adoption of Statement No. 133 in January 1, 2001 resulted in a cumulative effect of an accounting change of \$0.0 in the Statement of Earnings and a charge (credit) of \$(3,714,670) in Other Comprehensive Income.